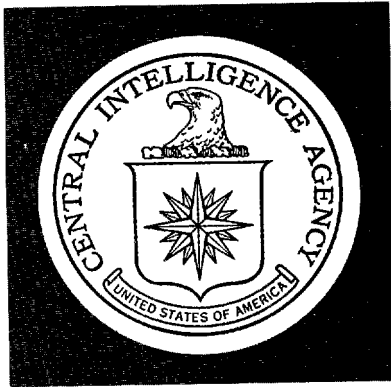


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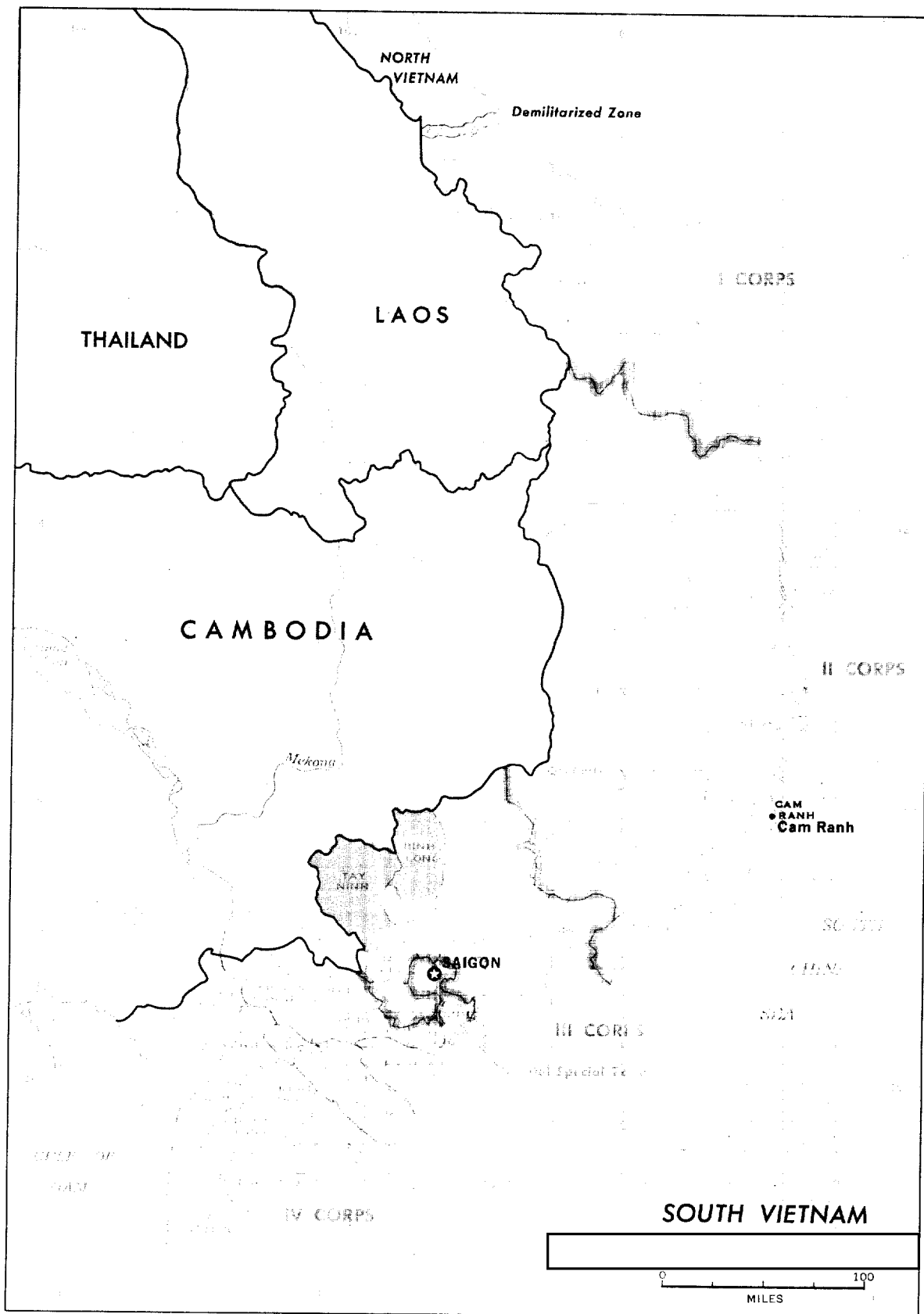
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[Vietnam: Communist sappers launched two raids on 7 August amid signs that the enemy may intend to step up the level of his military action in the near future.

The attacks on the American complex at Cam Ranh Bay and an English language school in Saigon's busy Cholon district produced heavy allied casualties, while the Viet Cong apparently did not lose a man.

[redacted] more attacks of this kind can be expected in the future.

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There are tentative indications that some enemy main force units may be on the move. One recent defector claims that elements of three Communist divisions will make coordinated attacks in Binh Long and Tay Ninh provinces between 5 and 15 August. Other ralliers and prisoners continue to report plans for widespread offensive activity around 19 August, and again about 2 September. A seasonal Communist military effort has been mounted in this period in past years, and important North Vietnamese Communist anniversaries fall on these two dates.

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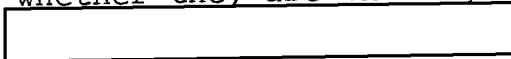
USSR - Communist China: There has been fresh emphasis on military themes in Moscow's anti-Peking propaganda.

A long article in the military newspaper Red Star of 6 August, signed by the new commander of the Soviet Far East Military District, lauds the exploits of a Soviet Far Eastern army which defeated "Chinese militarists" 40 years ago. The article recalls the Soviet heroes of that campaign, compares them to "the heroes of Damansky Island," and notes that Soviet military units "were sometimes on the territory of Manchuria" during the 1929 campaign. Referring to the present "war preparations" campaign in China, the article warns that "who comes to us with the sword will perish by it."

The day before the Red Star article appeared, a Moscow television presentation on the Damansky clashes featured the weeping widow of one of the border guard officers killed during the initial incident there.

This sort of saber-rattling and emotional play has not been featured in the USSR since the outpouring immediately after the March clashes. In previous years during periods of tension with the Chinese, the Soviets have commemorated the founding of the Far East army but not in so belligerent a fashion.

There is not known to have been any significant rise in border tensions recently that would account for the sharpening of the Soviet polemic. Although the reported items mark a broadening of Moscow's current anti-Mao propaganda, it is too early to tell whether they are the beginning of a new campaign.



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Uruguay: The struggle between President Pacheco and the legislature continues, although Pacheco appears to have won the latest round.

The General Assembly voted on 6 August to lift a presidential decree that put striking workers in private banks under military discipline. Under this decree, some 2,000 employees who refused to return to work would be treated as military deserters and automatically fired. Pacheco immediately reimposed his decree. Although some congressmen attempted to have the General Assembly respond by vetoing it again, after seven hours of bitter debate they failed to obtain the necessary votes and it was decided to consider the matter this evening.

Many congressmen realize that by prolonging the atmosphere of crisis they run the risk of provoking Pacheco into dissolving the legislature. In the past they have been reluctant to push him to a showdown. Although tempers have been aroused, compromise-minded politicians still have some time to negotiate.

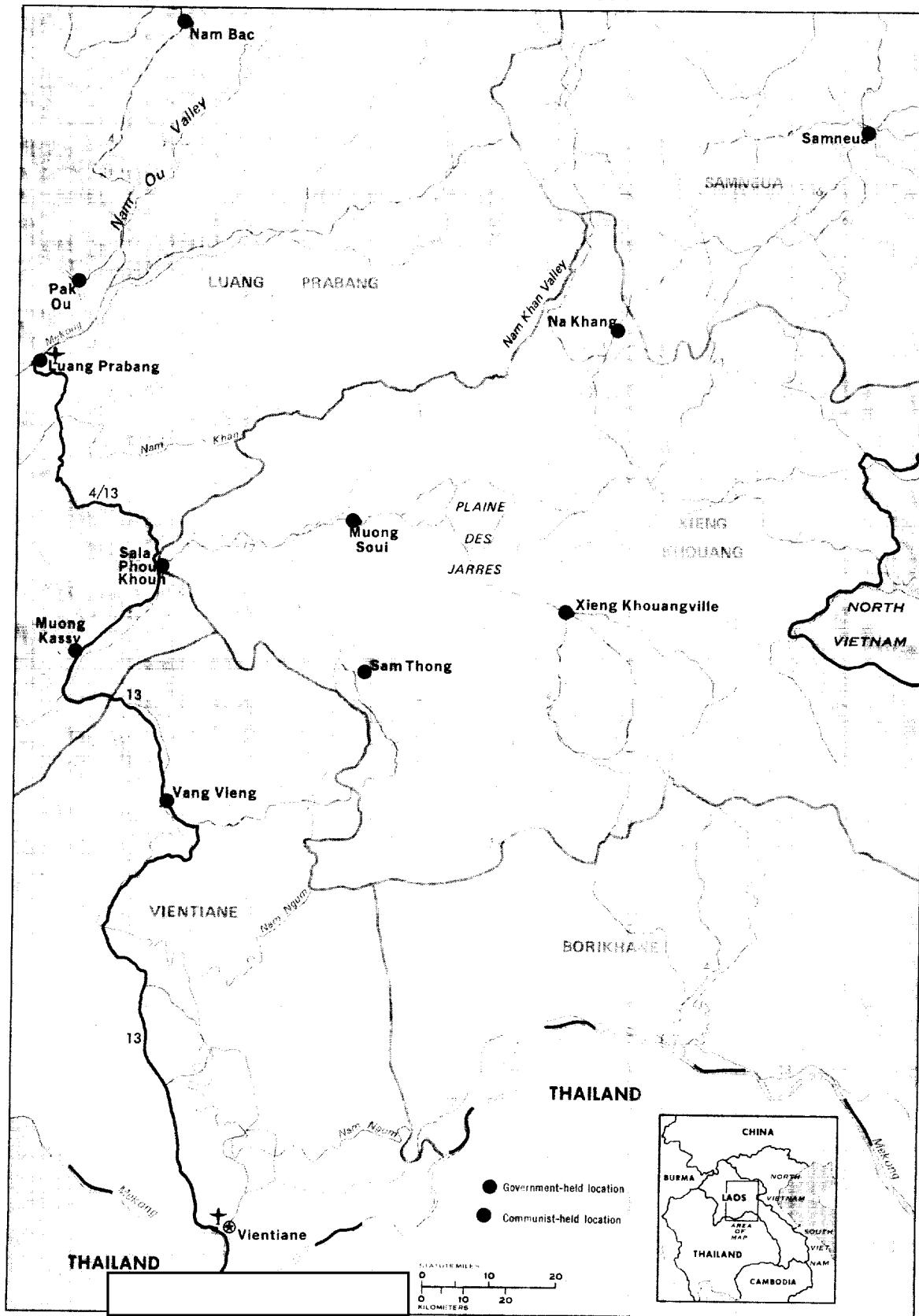
Pacheco, for his part, is hesitant to break Uruguay's long tradition of constitutional government, but he has become increasingly desperate over his inability to obtain congressional support. Should congress fail to back down on the decree issue, Pacheco might stage a palace coup. [REDACTED]

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The Military Situation Continues to be Quiet in Laos



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Laos: The military situation continues to be quiet but there are some signs that the Communists may increase their activities along strategic Route 13.

[redacted] recent Pathet Lao troop movements north of the road junction at Sala Phou Khoun are linked with plans to attack a number of government outposts astride Route 13. [redacted] the Communists intend to hit the poorly defended Luang Prabang airfield. The airfield, a staging base for Laotian fighter aircraft, has been attacked on a number of occasions.

Farther south, [redacted] the Pathet Lao are planning an early attack against the neutralist base at Vang Vieng with the help of North Vietnamese troops currently in the Muong Soui area. [redacted] the Pathet Lao intend to hit the Vientiane airfield.

[redacted] the Communists may not be bluffing this time. An attack on the outskirts of the capital would have a strong impact on an already jittery leadership, and last week a small Pathet Lao unit appeared near the airstrip.

Meo leader Vang Pao, meanwhile, has launched an offensive east of the Plaine des Jarres in an attempt to cut Communist supply lines. This move, along with a series of planned attacks against enemy positions along the southern edge of the Plaine, is designed to prevent the Communists from pressing their attacks beyond Muong Soui. Vang Pao's plans call for the commitment of substantial numbers of troops who have been defending the bases north and south of the Plaine, thus making those bases somewhat more vulnerable.

On the political front, military and civilian leaders are still thrashing out various proposals for a shake-up in the top leadership. Nothing appears to have jelled thus far, and in any case Prime Minister Souvanna's position seems secure. [redacted]

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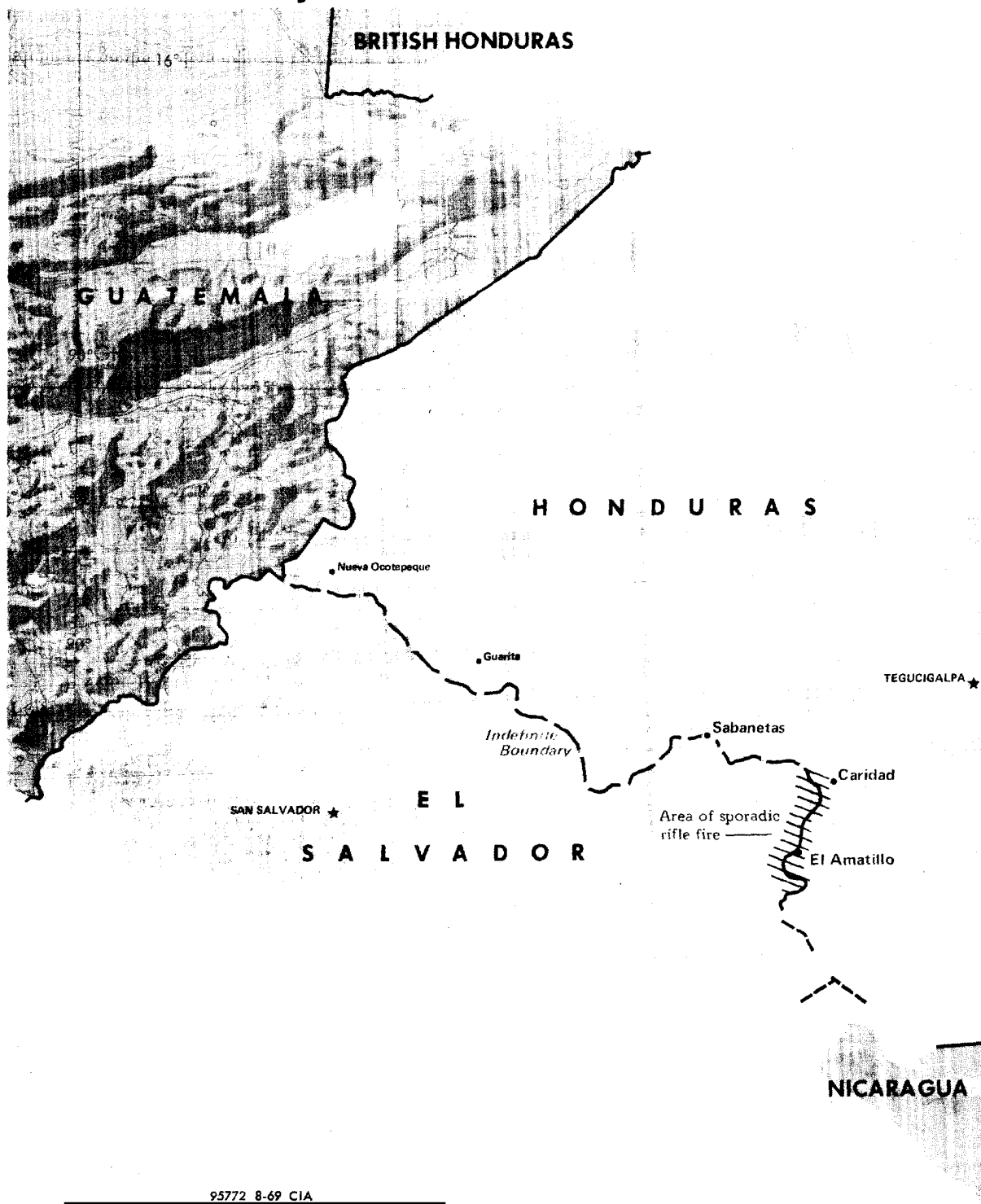
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Tension Continues Along El Salvador - Honduras Border



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El Salvador - Honduras: The wave of anti-Salvadoran feeling is still growing in Honduras.

Workers' groups, which last week renewed demands for the deportation of Salvadorans illegally in Honduras and called for strict enforcement of laws limiting employment rights of foreigners, have become even more militant. Labor unions have now indicated that their members will refuse to work with even those Salvadorans who are legal residents of Honduras, and businesses are starting to let their Salvadoran employees go.

Anti-Salvadoran feeling in Honduras is also responsible for the difficulty in obtaining the release of prisoners of war. El Salvador has refused to go ahead with the planned exchange until an estimated 11,000 Salvadorans detained in Honduras are released. Honduras is quietly beginning to release some, but there is concern for their safety. Honduran officials fear that if Salvadoran radio and press continue to crow over diplomatic and military victories, the resentment of the Honduran populace may get out of hand. Should the Salvadorans released from detention become the victims of reprisals, the Salvadoran Government is likely to find itself under the same kind of public pressure to pursue a hard-line policy as it was before the fighting began.

Meanwhile, OAS observers in the El Amatillo area report that there was sporadic rifle fire from the Salvadoran side of the border earlier this week and that a Honduran patrol near Caridad was fired on. Honduras is also concerned about the Sabanetas area, where a company of Salvadoran troops has refused to withdraw from advanced positions on its side of the de facto border. Although sovereignty over this area is in dispute, Salvadoran troops have never been stationed there before, and Honduras is insisting they withdraw to positions held prior to 14 July. [REDACTED]

[REDACTED]

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Algeria: Serious friction that has again arisen among the ruling group may portend some shifts in personnel.

Ahmed Kaid, chief of the National Liberation Front (FLN) and thus the second most important political figure in the regime, is reportedly at odds with Premier Boumediene. In his attempts to rebuild the FLN as the dominant institution within Algeria, Kaid has frequently clashed with those who support other interests. Last year, Kaid, who has an abrasive personality, was embroiled with the minister of interior over the issue of whether the party or the civil service should dominate the administration. More recently, he clashed with the powerful minister for industry and power--with whom he had had a long-standing feud--over a minor strike.

Kaid may be seeking Boumediene's unqualified backing in all encounters with other members of the ruling circle, but he also has a number of personal grievances against Boumediene. For example, Kaid, who has not been on active duty since independence, is said to resent the fact that he was not included among military officers recently promoted to top rank. He was also annoyed that the minister for industry and power was chosen to accompany Boumediene when the steel complex near Annaba was dedicated in June. To show his displeasure, Kaid has absented himself from such normally mandatory public appearances as independence day ceremonies and the Pan-African Cultural Festival.

Once again, as is his practice with disgruntled subordinates, Boumediene has attempted to reason with Kaid, but apparently without success so far. If and when a long-pending governmental reorganization takes place, therefore, Kaid may be downgraded or passed over.

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East Germany: East German agriculture and some sectors of industry are threatened by a heat wave accompanied by near drought conditions.

The news media, in order to motivate agricultural workers to speed up harvest work, probably are exaggerating somewhat the damaging effects of the drought on the crop now being harvested. Agricultural areas have retained high soil moisture from the heavy spring rains that preceded the current dry spell, and the dry condition of the fields should, in fact, facilitate harvesting activities.

The dry weather, however, may already have hurt fruits and vegetables, potatoes, and forage crops scheduled for fall harvesting. The spring-planted grain may mature too quickly, thereby reducing potential yields. The effects of the dry weather will be mitigated if rains come soon.

The water shortage is also reported to have slowed production in the chemical and other industrial sectors that utilize a high volume of water in production. Many industrial enterprises apparently have shifted to night work in order to balance demands for water delivery. Production of beverages, for which demand is especially high because of the hot weather, is inadequate, and shortages may affect worker morale. [REDACTED]

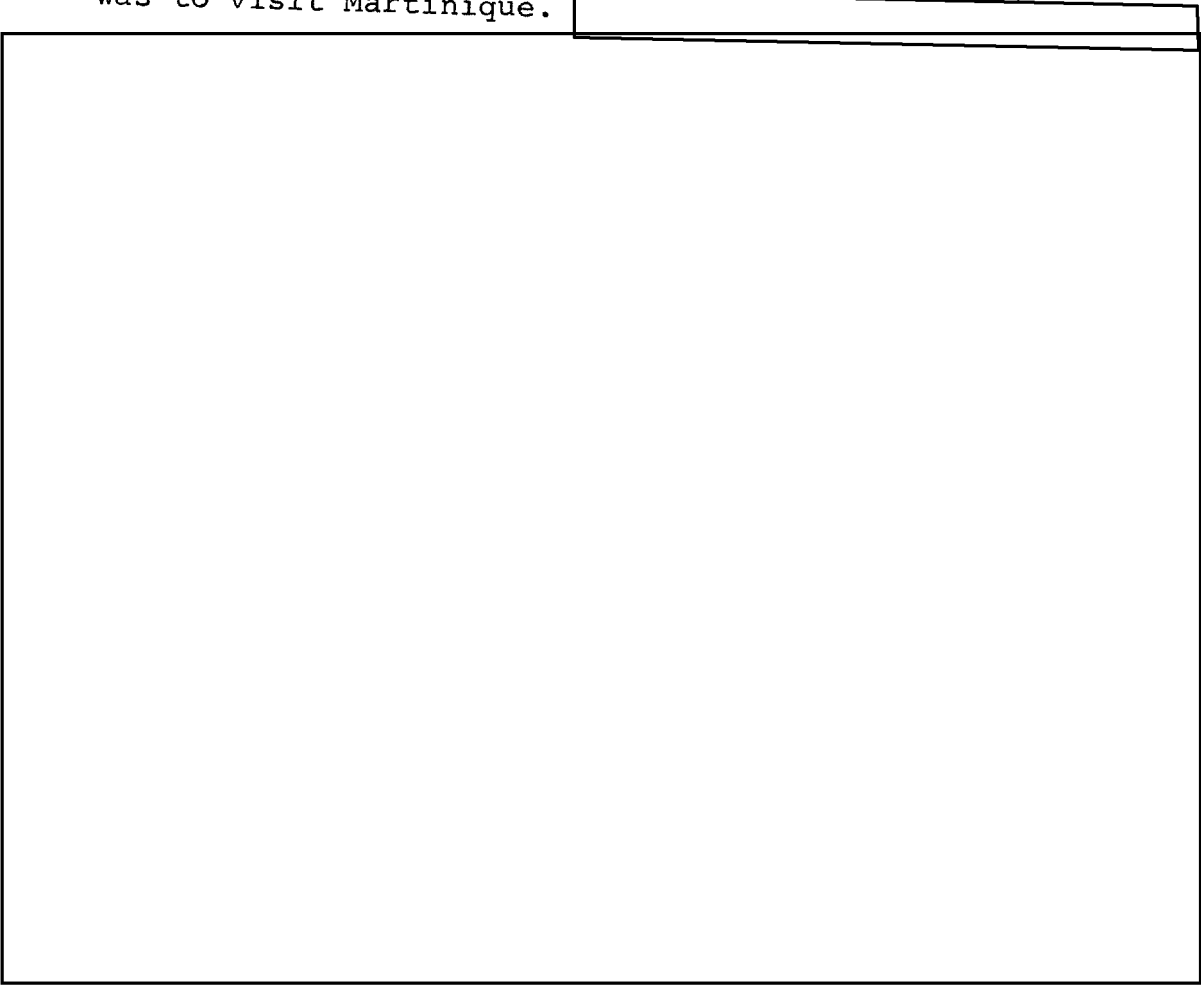
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NOTES

USSR-Caribbean: A Soviet Kynda-class guided missile cruiser was sighted in Fort de France, Martinique early yesterday, marking the first visit by a Soviet combatant ship to a non-Communist port in the Western Hemisphere. The remainder of the Soviet squadron that visited Cuba between 20 and 27 July is now operating in the Caribbean south of Jamaica. The Soviets may try to arrange visits by some of these ships to other Caribbean ports. Neither the Soviets nor the French announced that the warship was to visit Martinique.



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Peru: President Velasco's rejection of the International Petroleum Company's appeal for reduction or cancellation of the \$690 million it allegedly owes the state did not close the door to further attempts to resolve the dispute. Ambassador Irwin is expected to go to Lima later this month to renew talks on the IPC issue. In rejecting the appeal, Velasco reiterated that this is a matter between a private company and the Peruvian Government and should be resolved in Peruvian courts according to Peruvian laws.

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